



USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Voluntary Report - public distribution

Date: 3/5/2003

GAIN Report Number: MX3027

Mexico

Agricultural Situation

Weekly Highlights & Hot Bites, Issue 12

NAFTA Update Edition

2003

Approved by:

William L. Brant

U.S. Embassy Mexico City

Prepared by:

Jorge Sánchez

Report Highlights:

DRY BEAN BAN IS NOT POLITICAL, ASSURED SAGARPA* "RENEGOTIATING NAFTA BRINGS ABOUT CHAOS"*CAP CLAIMS U.S. EMBASSY OFFICIALS USED THREATS AGAINST FARMING GROUPS*TROS ON EGMONT CHEESE*MEXICAN CUSTOMS ASKED TO STEP UP INSPECTIONS*SECRETARY OF THE ECONOMY SEEK SIDE AGREEMENTS*"MEXICAN BEAN EXPORTS HELD HOSTAGE"*CNA ALSO WANTS NAFTA SIDE AGREEMENT*"ITS TIME FOR THE RURAL SECTOR"*NATIONAL AGRICULTURAL DIALOGUE DISCUSSION ROUND SUMMARY*MEXICAN DIET NOT FAR FROM HARVARD UNIVERSITY'S*MEXICO'S TOURISM SECTOR ON THE UP AND UP*AGRICULTURAL DIALOGUE CULMINATES WITH NAFTA DISCUSSION*NAFTA PARTNERS WILL DISCUSS AGRICULTURE IN MONTREAL*INDIGENOUS COMMUNITIES IN FAVOR OF NAFTA RENEGOTIATIONS*

Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
Mexico [MX1]
[MX]

.....

Welcome to Hot Bites from Mexico, a weekly review of issues of interest to the U.S. agricultural community. The topics covered in this report reflect developments in Mexico that have been garnered during travel around the country, reported in the media, or offered by host country officials and agricultural analysts. Readers should understand that press articles are included in this report to provide insights into the Mexican "mood" facing U.S. agricultural exporters. Significant issues will be expanded upon in subsequent reports from this office.

DISCLAIMER: Any press summary contained herein does NOT reflect USDA's, the U.S. Embassy's, or any other U.S. Government agency's point of view or official policy.

.....

DRY BEAN BAN IS NOT POLITICAL, ASSURED SAGARPA

On March 5, 2003, the Agricultural Secretariat (SAGARPA) discarded the idea that the ban on dry beans was triggered by political pressure. The SAGARPA press release indicated that they would not lift the ban until the United States creates effective measures that would prevent the smuggling of Peruvian and Chinese beans into Mexico under the NAFTA tariff. (Source: *Reforma*, 3/6/03)

"RENEGOTIATING NAFTA BRINGS ABOUT CHAOS"

According to the Canadian Ambassador to Mexico, Keith Christie, the solution to the Mexican rural sector is not in renegotiating NAFTA's agricultural chapter, but rather on structuring adequate domestic policy. Ambassador Christie reiterated that Canada is against a renegotiation of NAFTA's agricultural chapter because it would "create a chaotic trade situation." (Source: *Reforma*, 3/6/03)

CAP CLAIMS U.S. EMBASSY OFFICIALS USED THREATS AGAINST FARMING GROUPS

On March 5, 2003, Alvaro López, Secretary of the Permanent Agrarian Council (CAP) farming organization, stated that U.S. Embassy officials in Mexico had pressured the leading farming groups to stop calling for NAFTA's agricultural chapter renegotiations. Mr. López, alleges that the U.S. Embassy officials used a threatening tone and asked them to think twice about further action against NAFTA. (Source: *Reforma*, 3/6/03)

TRQ'S ON EGMONT CHEESE

On March 5, 2003, the Secretariat of the Economy (SE) announced in the *Diario Oficial* (Federal Register) a non-NAFTA tariff rate quota (TRQ) of 1,600 mt on Egmont cheese (H.S. 0406.90.06). The purpose of the TRQ, according to Secretary of the Economy, Fernando Canales Cariond, is due to the exceeding domestic demand for Egmont cheese outmatched by the domestic production. The TRQ will take immediate effect as on April 17, 2003. (Source: *Diario Oficial*, 3/5/03)

MEXICAN CUSTOMS ASKED TO STEP UP INSPECTIONS

The Mexican Customs Administration has instructed its staff at 47 customs checkpoints around the nation to step up inspections of merchandise. Customs inspectors use xray technology to scan containers entering the Manzanillo and Veracruz seaports. (Source: *Reforma*, 3/4/03)

SECRETARY OF THE ECONOMY SEEK SIDE AGREEMENTS

On March 3, 2003, Secretary of the Economy, Fernando Canales, said that the GOM would seek side agreements to NAFTA that would offset some of the trade imbalances suffered by Mexican farmers. Deputy Secretary of the Economy, Angel Villalobos, said that the GOM would seek direct negotiation with its U.S. counterparts to modify agricultural trade agreements, although it would not seek the renegotiation of NAFTA's agricultural chapters. (Source: *Reforma, El Universal, El Financiero, La Jornada, Milenio Diario, 3/4/03*)

"MEXICAN BEAN EXPORTS HELD HOSTAGE"

United States and Canadian farmers accused the GOM of holding Mexican bean exports hostage as a way to appease farmers' demands. The GOM suspended imports of U.S. and Canadian beans on January 22 of this year because of alleged phytosanitary reasons. Jorge Uriarte, a representative for U.S. and Canadian farmers, claimed that there is no laboratory proof of such contamination. Mr. Uriarte mentioned that there are 5,000 tons, valued at USD \$5 million, of U.S. and Canadian exports, which are currently stuck in the Mexican border region. (Source: *Reforma, Milenio Diario, La Jornada, El Universal, 3/5/03*)

CNA ALSO WANTS NAFTA SIDE AGREEMENT

On March 4, 2003, Armando Paredes-Arroyo, President of the National Agriculture Council (CNA), said that Mexico's agricultural trade deficit had reached four billion dollars in 2002, partially due to NAFTA. Paredes praised the federal government's efforts to seek side trade agreements to offset imbalances suffered by Mexican farmers, although he said that the executive branch should concentrate on building consensus for a National Agricultural Pact. (Source: *Reforma, 3/5/03*)

"ITS TIME FOR THE RURAL SECTOR"

On March 4, 2003, President Vicente Fox stated that once the National Dialogue on Agriculture had concluded, his government would be ready to remedy the rural sector problems inherited by past administrations. In an audience of approximately 200 in the rural city of Cosío, in the state of Aguascalientes, the President Fox stated, "we are currently drafting the National Agricultural Pact and this time we're ready, it's time for the rural sector, with no verbiage or bluff." (Source: *Reforma, 3/5/03*)

NATIONAL AGRICULTURAL DIALOGUE DISCUSSION ROUND SUMMARY

Media coverage of Topic 7, "The Legislative Agenda for the Rural Sector," focused on farming groups' demands that agrarian reform laws be modified. Farming organizations are proposing that Article 27 of the Constitution be altered again to protect community-owned land from large-scale commercialization. The farming group, "The Farmland Can't Stand Anymore," demanded that federal deputies promote a legislative proposal that would grant amnesty to all farmers facing criminal or civil charges over land disputes and threatened not to sign the National Agriculture Pact unless such a law was passed. The National Confederation of Farm Workers (CNC) asked for 21 modifications of current agrarian reform laws. Farming leader Victor Quintana complained that too many politicians were making long speeches during the dialogue, leaving little time for farming groups. During a visit to Tabasco, Agriculture Secretary Javier Usabiaga said that the Agricultural Secretariat (SAGARPA) would only respond to "viable" demands made by farmers during the dialogue. Tabasco Governor Manuel Andrade said that it would be more productive to change traditional farming methods in Mexico, rather than blaming all of Mexican farmers' problems

on NAFTA. (Source: *PAS Mexico City, Reforma, El Financiero, La Jornada, Milenio Diario, 2/28/03*)

MEXICAN DIET NOT FAR FROM HARVARD UNIVERSITY'S

Harvard University's new nutritional pyramid comes as mixed news to Mexico. For Mexicans, the implementation of this new diet could presumably reduce obesity cases, which reached 31 million, and diabetes cases, which afflicted approximately 5.2 million people in 2002. Mexican eating habits differ from those of the U.S.; but as a point of reference, the Mexican tortilla (rich in calcium) could now be considered part of the base of the food pyramid. However, changes in consumption habits are required to avoid saturated oils that most tacos are fried in. Although the consumption of red wine (high in antioxidants) is not common in Mexico, beans and other legumes (highly consumed in Mexico), adequately compensate for red wine in this respect. (Source: *Reforma, 2/7/03*)

MEXICO'S TOURISM SECTOR ON THE UP AND UP

During 2002, US\$1.5 billion dollars were invested in Mexico's tourism sector. Around 19.7 million foreign tourists came to Mexico, marginally less than in 2001. However, income from this sector reached record levels of US\$8.9 billion representing an increase of 5.4 percent over 2001. The average expenses per visitor increased by 5.2 percent in 2002 reaching US\$615.60 per capita per visit. Only 11.9 million Mexicans traveled abroad spending US\$6.1 billion. During 2002, the Mexican tourism industry registered a positive balance of US\$2.8 billion, 3.7 percent over 2001 figures. In addition, 2002 represented the creation of 15,000 new jobs in this sector that now has 1.7 million people employed (75 percent in hotels). Domestic tourism generates around US\$53 billion dollars a year (6 times more than foreign tourism). During 2002, around 47.2 million Mexicans traveled within the country, 1.3 percent more than in 2001. For 2003, the Mexican Tourism Secretariat (TS) is expecting to reach 20.5 million foreign visitors, and US\$9 billion. Additionally, TS expected to reach US\$2.9 billion in tourism and increase domestic tourism by 2.7 percent. (Source: *El Financiero, 2/12/03*)

AGRICULTURAL DIALOGUE CULMINATES WITH NAFTA DISCUSSION

March 3, 2003 marked the last round of discussions for the National Agricultural Dialogue, "Domestic Trade, International Trade, and NAFTA," in which farming groups hardened their demands that NAFTA be renegotiated. The group, "The Farmland Can't Stand Anymore," rejected proposals that a 'NAFTA-plus' be developed, and called for a change in the concept of NAFTA. Secretary of the Economy, Fernando Canales, reportedly listened to farmers' demands with patience, earning better reviews than Finance Secretary, Francisco Gil. Canales acknowledged that the negotiation of agricultural side agreements to NAFTA was not a high priority for the United States, and for this reason, Mexico would have to strongly lobby the issue. Following a series of public discussions, negotiations between farming groups and the federal government will continue in private, beginning on March 7. During a working visit to Aguascalientes, President Fox said, "the hour had come" to work on a national agreement for agriculture. (Source: *Reforma, El Universal, El Financiero, 3/4/03*)

NAFTA PARTNERS WILL DISCUSS AGRICULTURE IN MONTREAL

Rosanne Wowchuk, Agriculture Minister of the Canadian province, Manitoba, said that U.S., Mexico, and Canadian agriculture ministers would meet in Montreal in April to discuss solutions to the impact of U.S. agricultural subsidies on Mexican and Canadian farmers. (Source: *Reforma, 3/4/03*)

INDIGENOUS COMMUNITIES IN FAVOR OF NAFTA RENEGOTIATIONS

On March 4, 2003, during the National Dialogue on Agriculture, the indigenous farming group, the Indigenous Forum of Oaxaca, said that they were in favor of the farming group "The Farmland Can't Stand Anymore's," proposal to find long-term solutions to rural sector communities and the renegotiation of NAFTA's agricultural chapter was a good way to start. (Source: *La Jornada*, 3/5/03)

REPORTS SUBMITTED RECENTLY BY FAS/MEXICO CITY

Number	Title	Date
MX3026	Hot Bites Issue #11	03/05/03

We are available at <http://www.atomexico.gob.mx> or visit our headquarter's home page at <http://www.fas.usda.gov> for a complete selection of FAS' worldwide agricultural reporting.

FAS/MEXICO EMAIL

To reach us at FAS/Mexico City, email us at:

AgMexico@fas.usda.gov and/or ATOMexico@fas.usda.gov.